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**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division  
Public Programs Branch**

**RESOLUTION T-16956  
September 22, 2005**

**R E S O L U T I O N**

**Resolution T-16956. Approval of Fiscal Year 2006-07 California High Cost Fund-A (CHCF-A) Administrative Committee (AC) Fund Expense Budget to Comply with the Requirements of Public Utilities Code Section 270 (A).**

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**Summary**

This resolution adopts a California High Cost Fund-A (CHCF-A) expense budget of \$44.528 million for FY 2006-07 and a revised FY 2005-06 expense budget of \$39.653 million.

**Background**

The California High Cost Fund (HCF) was implemented by D.88-07-022 as modified by D.91-05-016 and D.91-09-042 to provide a source of supplemental revenues to three mid-size and seventeen small Local Exchange Companies (LECs) whose basic exchange access line service rates would otherwise be increased to levels that would threaten universal service.

D.96-10-066 changed the name of HCF to CHCF-A and created the California High Cost Fund-B (CHCF-B). This decision included the three mid-size LECs in the CHCF-B program for the purpose of determining universal service subsidy support and maintained the CHCF-A for the 17 small LECs.

CHCF-A is funded by a surcharge assessed on consumers' intrastate telecommunications services. Prior to October 2001, a tax-exempt trust was established for the receipts and disbursements of CHCF-A funds. In compliance with PU Code § 270 et seq., which were codified by the enactment of Senate Bill (SB) 669 (Stats. 1999, Chapter 677), the following events took place on October 1, 2001:

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- the State Treasury created a CHCF-A AC Fund for the receipts and disbursements of CHCF-A funds; and
- the Commission created CHCF-A AC to advise the Commission regarding the development, implementation, and administration of the CHCF-A program.

§ 270(b) requires that the monies in the CHCF-A and five other funds may only be expended pursuant to § 270-281 and upon appropriation in the annual Budget Act. Since FY 2001-02, the CHCF-A Fund expenditures have been authorized in the State's Annual Budget Act.

On June 1, 2005, in compliance with Paragraph 4.a.1 of the CHCF-A AC Charter, the Alternate Vice Chairperson of the CHCF-A AC submitted a letter request to the Executive Director endorsing the CHCF-A AC budget. The Alternate Vice Chairperson's request was made in his personal capacity since the CHCF-A AC was unable to meet to deliberate on this matter due to lack of a quorum and could not make a proposed budget submission before June 1, 2005.<sup>1</sup>

### **Notice/Protests**

Notice of the CHCF-A AC Alternate Vice Chairperson's letter request was published in the Commission Daily Calendar of July 28, 2005.

The Commission did not receive any protests or comments on this matter.

### **Discussion**

In this Resolution, the Commission adopts a proposed CHCF-A expense budget of \$44.528 million for FY 2006-07 and a revised FY 2005-06 expense budget of \$39.653 million.

Appendix A shows a comparison of the FY 2005-06 Approved Expense Budget<sup>2</sup>, a revised FY 2005-06 expense budget and the FY 2006-07 Expense Budget as proposed by the Telecommunications Division (TD).

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<sup>1</sup> Pursuant to Article 4.1. (a) of the CHCF-A AC Charter, the CHCF-A AC is required to submit a proposed FY 2006-07 by June 1, 2005.

<sup>2</sup>The FY 2005-06 State Budget appropriated the amount of \$42.695 million for the California High-Cost Fund –A Administrative Committee Fund (Senate Bill 77, Stats. 2005, Chapter 38. Resolution T-16876 dated October 28, 2004 adopted a CHCF-A AC expense budget of \$39.650 million for FY 2005-06.

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The FY 2005-06 expense budget is revised to reflect an increase in the number of meetings of the CHCF-A AC from one to four. The Charter of the CHCF-A specifies that four meetings are to be held yearly. The increase in the number of meetings results in an increase of \$2,800 in the Commission adopted FY 2005-06 budget in Resolution T-16876.

The breakdown of the FY 2006-07 expense budget is shown below:

Carrier Claims	33,434,641
Other Program Services	0
Other Legislative Mandated Programs	10,000,000
Administrative Committee-Per Diem	1,200
Administrative Committee-Travel and Others	2,400
Administrative Committee-Special Needs	
Accommodation	0
Financial Audit	0
Compliance Audit	0
Surcharge Remittance Audit	185,000
Claim Audit	0
Banking Fees	20,000
Interagency cost	305,000
CPUC Staff and Administrative Costs	530,000
Other operating costs	50,000
Total	\$44,528,241

## Comments

In compliance with PU Code § 311 (g), notice letters were mailed/e-mailed on August 23, 2005 to the 17 small LECs, the CHCF-A AC, and the parties of record in R.01-08-002 and A.99-09-044, informing these parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov/static/industry/telco/index.htm> and is available for public comments. In addition, the Telecommunications Division (TD) informed these parties of the availability of the conformed resolution at the same website.

## Findings

1. In October 1999, Public Utilities Code (PU) Code § 270-281 were codified as a result of the enactment of Senate Bill 669.

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2. PU Code § 270(b) requires that the monies in California High Cost Fund-A (CHCF-A) Administrative Committee Fund may only be disbursed pursuant to § 270-281 and upon appropriation in the annual Budget Act.
3. On June 1, 2005, in compliance with Paragraph 4.a.1 of the CHCF-A AC Charter, the Alternate Vice Chairperson of the CHCF-A AC submitted a letter request to the Telecommunications Director endorsing the CHCF-A AC budget. The Alternate Vice Chairperson submitted the proposed CHCF-A AC budget in his personal capacity as the CHCF-A AC was unable to meet due to lack of quorum.
4. Notice of the CHCF-A AC Alternate Vice Chairperson's letter request was published in the Commission Daily Calendar of July 28, 2005. The Commission did not receive any protests or comments on this matter.
5. Notice letters advising parties of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site were mailed/e-mailed to the 17 small LECs, the CHCF-A AC, and the parties of record in R.01-08-002 and A.99-09-044, on August 22, 2005.
6. TD's proposed revised FY 2005-06 expense budget of \$35.653 million is reasonable and should be adopted.
7. TD's proposed FY 2006-07 expense budget of \$44.528 million is reasonable and should be adopted.

**THEREFORE, IT IS ORDERED that:**

1. The revised CHCF-A FY 2005-06 expense budget of \$35.653 million, as set forth in Appendix A of this resolution, is adopted.
2. The FY 2006-07 CHCF-A expense budget of \$44.528 million, as set forth in Appendix A of this resolution, is adopted.

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This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on September 22, 2005. The following Commissioners approved it:

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STEVE LARSON  
Executive Director

APPENDIX A  
CALIFORNIA HIGH COST FUND A ADMINISTRATIVE COMMITTEE FUND  
EXPENSE BUDGET FOR FY 2006-07

	<u>Adopted per Res. T-16876</u> <u>July 2005 - June 2006</u>	<u>Revised</u> <u>July 2005 - June 2006</u>	<u>Proposed</u> <u>July 2006 - June 2007</u>	<u>Adopted</u> <u>July 2006 - June 2007</u>	
PROGRAM EXPENSES					
Carrier Claims	\$28,039,696	\$28,039,696	33,434,641	\$33,434,641	<sup>1</sup>
Other Program Services	\$0	\$0	0	\$0	
Other Legislative Mandated Programs	\$10,000,000	\$10,000,000	10,000,000	\$10,000,000	<sup>2</sup>
Administrative Committee-Per Diem	\$300	\$1,200	1,200	\$1,200	<sup>3</sup>
Administrative Committee-Travel and Others	\$500	\$2,400	2,400	\$2,400	<sup>4</sup>
Administrative Committee-Special Needs Accommodation	\$0	\$0	0	\$0	
Financial Audit	\$100,000	\$100,000	0	\$0	
Compliance Audit	\$300,000	\$300,000	0	\$0	
Surcharge Remittance Audit	\$400,000	\$400,000	185,000	\$185,000	
Claim Audit	\$0	\$0	0	\$0	
Banking Fee	\$50,000	\$50,000	20,000	\$20,000	<sup>5</sup>
Interagency Cost	\$210,000	\$210,000	305,000	\$305,000	<sup>6</sup>
CPUC Staff and Administrative Costs	\$500,000	\$500,000	530,000	\$530,000	<sup>7</sup>
Other Operating Expenses	\$50,000	\$50,000	50,000	\$50,000	<sup>8</sup>
Total Program Expenses	\$39,650,496	\$39,653,296	44,528,241	\$44,528,241	

<sup>1</sup> Fiscal Year 2006-07 claim payments are based on estimates submitted by the small LECs in May 2005.

<sup>2</sup> Assembly Bill 140 provides transfer payments to telephone corporations providing service in high cost areas. At this time, only the CHCF-A program will provide funding for this program until certain issues relating to the California High Cost Fund -B are resolved. AB 140 funding level is not to exceed \$10 million per year.

<sup>3 & 4</sup> Pursuant to D.02-04-059, per diem and other costs are authorized for committee members attendance in the CHCF-A Administrative Committee meeting. It is assumed that there will be 4 meetings a year in FY 2005-06 and 2006-07.

<sup>5</sup> Estimated lockbox and access fees

<sup>6</sup> Refers to pro-rata costs allocated to state service agencies, e.g. DGS, State Personnel Board

<sup>7</sup> Refers to CPUC CHCF-A staff and administrative costs.

<sup>8</sup> Estimated costs for SQL programming and maintaining the electronic filing and monitoring system.